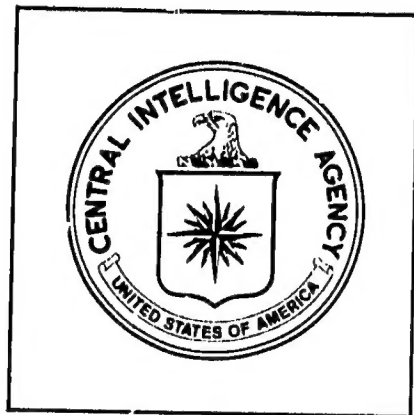


25X1

Approved For Release 2004/08/16 : CIA-RDP86T00608R000400010035-0

Approved For Release 2004/08/16 : CIA-RDP86T00608R000400010035-0

**Top Secret**



# STAFF NOTES:

## Middle East Africa South Asia

NSA review completed

25X1

**Top Secret**

25X1

134

February 20, 1975

25X1

Approved For Release 2004/08/16 : CIA-RDP86T00608R000400010035-0

Approved For Release 2004/08/16 : CIA-RDP86T00608R000400010035-0

25X1

MIDDLE EAST - AFRICA - SOUTH ASIA



CONTENTS



25X1

India: The Narayan Challenge . . . . . 2

Bangladesh: Ineffective Economic Policies  
Continue Despite Mujib's New Powers . . . . . 8

Feb 20, 1975

25X1

25X1

Approved For Release 2004/08/16 : CIA-RDP86T00608R000400010035-0

Approved For Release 2004/08/16 : CIA-RDP86T00608R000400010035-0

25X1

India*The Narayan Challenge*

A nascent protest movement headed by Jayaprakash Narayan, a frail, 72-year-old disciple of Mahatma Gandhi, poses the most tangible challenge to the supremacy of the ruling Congress Party since independence 27 years ago. Accusing Prime Minister Gandhi of becoming a dictator, Narayan returned to national prominence last year to lead what he calls a "total, peaceful revolution" of Indian society along the lines envisioned by Mahatma Gandhi. Narayan's goal is a village-based, self-sufficient society in which love, brotherhood, and non-violence prevail.

Above all, Narayan wants political power concentrated in the villages where 80 percent of the population lives. He also would do away with political parties and the parliamentary system, replacing them with a pyramid of non-partisan "people's assemblies" in which members could be recalled at any time for unsatisfactory performance. A weak central government--the antithesis of the present situation--would act merely as a coordinator of local governing bodies.

Narayan's chances for undermining the Congress Party depend on whether public dissatisfaction with Congress rule is severe enough to produce a repudiation of the party in a general election. This could come about if India's many small opposition parties, which are trying to ride on Narayan's coattails, can bury ideological, caste, and personality conflicts in the interest of a united effort against the Congress Party.

Previous alliances have floundered, allowing the Congress Party to prevail since independence with less than 50 percent of the popular vote. There is an off-chance Narayan may be the missing catalyst, but most predictions call for Congress to retain at least a plurality in the next parliament, which must be elected by early 1976.

(Continued)

Feb 20, 1975

25X1

2

Nonetheless, Congress Party leaders are growing more concerned about the opposition challenge and fear a nationwide anti-Congress mood may be building. The unexpected defeat of a Congress Party candidate by a pro-Narayan "people's candidate" in a prestigious central India by-election last month was a severe jolt to the party. In public, party leaders blame the loss on organizational problems within the party and on recent enactment of an unpopular farm tax. In private, however, they are shaken by the Congress' poor showing in rural areas, the traditional bedrock of its support.

Prime Minister Gandhi's advisers apparently have convinced her not to hold parliamentary elections soon, largely because of Narayan. Most expect the party will lose seats whenever the next election is held, and they want to retain their two-thirds majority, at least until the government's five-year term expires in early 1976.

#### Apostle of Gandhi

Narayan's ascetic style is reminiscent of Mahatma Gandhi. He is soft-spoken, convincingly sincere, and his reputation is impeccable. Of middle-class origin, Narayan joined the Congress Party in the 1930s after returning to India from several years of study at US universities. He became a close ally of Nehru and leader of the Congress Party's socialist wing.

After independence in 1947, Narayan helped found a separate socialist party, but soon renounced party politics to devote himself to Gandhi's "sarvodaya" movement aimed at eliminating poverty, ignorance, and the caste system from village life. In recent years Narayan has focused on a complex village cooperative scheme in his home state of Bihar, one of India's poorest.

(Continued)

Feb 20, 1975

3

25X1

### The Bihar Conflict

Despite poor health, Narayan, a veteran of the independence struggle, felt compelled to return to an active national role last spring. Mrs. Gandhi, he claims, is suspending civil liberties and expanding police and paramilitary forces in order to suppress legitimate public discontent over corruption and her government's poor economic performance.

A student-led revolt in Bihar served as the vehicle for Narayan's return. The Biharis, following in the footsteps of rebellious students in Gujarat State, are demanding dissolution of the Congress Party state government in Bihar and new elections. They allege the Bihar government is corrupt and that its programs have resulted in record rates of inflation and unemployment.

Mrs. Gandhi, who apparently regrets ousting under pressure the Congress Party government in Gujarat last year, refuses to acquiesce in the student demands in Bihar. This impasse has led to formation of a fragile national coalition of pro-Narayan opposition parties.

### The "Saintly Tradition"

Narayan is wary of opposition party leaders, but is willing to cooperate on his own terms. Following Gandhi's "saintly tradition," he refuses formal leadership of the coalition, recognizing that much of his public appeal derives from his apparent lack of political ambition. He continually draws the distinction between his goal of a peaceful, total revolution and that of a power-hungry opposition craving electoral victories.

### Fragile Unity

Opposition coalition leaders, do not want the popular Narayan to slip through their hands. They are now struggling with the almost impossible task

(Continued)

Feb 20, 1975

4



of formulating a program that can be accepted within the disparate coalition--where ideologies range from Marxism to the far right--and by Narayan as well. For election campaign purposes they must unite under a single flag and symbol, an essential step considering India's 70 percent illiteracy rate. In the immediate future, they plan to attack the Congress Party from the floor of parliament.

Narayan's cooperation with the opposition will probably continue on an ad hoc basis. He supports the concept of nonpartisan "people's candidates" to oppose the Congress Party in future national and state elections, and the use of non-violent disobedience to disrupt civil administration. Meanwhile, he wants to establish state committees to mobilize support.

Narayan's first showing of mass strength is scheduled for March 6 in the Indian capital. He plans to lead a four-mile march to parliament to present Mrs. Gandhi with a list of demands calling for electoral reforms, clean government, and lower prices. Narayan proved his ability to draw huge crowds outside of Bihar during his visit to the Bombay region in January. Although the march is slated to be "non-violent," there is the possibility of clashes with security forces.

#### Mrs. Gandhi Reacts

So far, Mrs. Gandhi has not taken direct action to impede Narayan. The two held talks last fall, but her determined support of the Bihar government and his decision to extend his movement to other states ruled out an early solution. Mrs. Gandhi must be cautious in her criticism of Narayan, as he has many supporters within the Congress Party itself.

The focus of Mrs. Gandhi's recent speeches indicates that she is now primarily concerned about Narayan's impact on the frustrated urban

(Continued)

Feb 20, 1975

25X1

5

middle-class. She is attempting through speeches and interviews to identify the Congress Party with stability, democracy, and moderate economic policies, a sharp contrast to her fiery oratory of the 1967-71 period.

She depicts the opposition as radical, violence-prone, and anti-democratic because of its calls for the ouster of elected governments. Her warning that the opposition may be anti-secular is aimed at the sizeable Muslim minority and the lowest classes who have traditionally looked to Congress for protection. As usual she accuses unnamed foreign interests of supporting a conspiracy to topple her.

### Prospects

The impact of the march on parliament next month will probably guide Narayan's future strategy. He may concentrate on building grassroots support, or he could move the conflict into a new potentially explosive phase by going on a hunger strike to force concessions from the government.

On the other hand, Narayan's campaign could easily founder. He is known to be a poor administrator and has been involved in numerous short-lived campaigns to revolutionize Indian society and instill a greater sense of morality in public life. Narayan might suddenly withdraw because of ill health or disgust with the material aims of his supporters. The urban-oriented students picked as his vanguard are not likely to be enthusiastic about work in the villages.

Mrs. Gandhi, a tough and shrewd politician, probably expects that this opposition coalition, like previous ones, will fall apart. This summer's monsoon is significantly better than last year's would ease the tight food situation and help reduce anti-government sentiment.

(Continued)

Feb 20, 1975

6

25X1

25X1

Meanwhile, Mrs. Gandhi is trying to revitalize the Congress Party which grew weak and flabby in recent years as she concentrated political power in her own hands. A new party president is shaking up state units and beginning preparations for the next election. Mrs. Gandhi's political instincts probably will urge her to continue treating Narayan with kid gloves while waiting for the incongruities within the opposition to take their toll on present unity.

25X1

25X1

Feb 20, 1975

7

25X1

Bangladesh

*Ineffective Economic Policies Continue  
Despite Mujib's New Powers*

President Mujibur Rahman justified his move last month to a more authoritarian presidential system by proclaiming it would enable him to deal more effectively with the country's pressing problems--particularly its deteriorating economy. Since then he has revealed no new plans to alter the country's economic policies. Even after consolidating his new powers, Mujib will be unlikely to make significant changes in economic policy.

Mujib is typically slow to act and will remain reluctant to abandon the present complex system of price marketing controls. A few minor trade controls have been liberalized over the past three months, but this does not signal a change in the government's underlying policy of detailed regulation of prices and marketing. Changes were made only in response to specific bottlenecks. For example, imports of spare parts for unauthorized rice and flour mills were legalized because the government believed that the inadequate milling capacity of the authorized mills had hampered rice procurement. In other stop-gap moves, the government modified restrictions on the sale of some types of yarn and cloth because local mills were overstocked. It also lifted import restrictions on salt and some raw materials to ease shortages intensified by the curtailment of smuggling. Under pressure from foreign aid donors, Dacca has agreed to a World Bank study of import procedures, but improvement is still far off.

25X1

(Continued)

Feb 20, 1975

25X1

8

value of confiscated goods range from \$1.5 million to several times that figure. Seized imports have consisted of luxury products as well as industrial spare parts and basic consumer items. Outgoing contraband consisted of numerous small shipments of foodgrains and fish, and a few lots of gold and silver worth several thousand dollars each.

If the goods seized to date represent smuggling patterns, illegal trade constitutes only a minor economic loss. Farmers and users of imported goods benefit at the expense of rice consumers and government revenues. Smuggling also provides a quick channel for getting critically short spare parts. For this reason, even if the anti-smuggling campaign were successful, production would not increase.

Smuggling on a very large scale, however, could generate capital flight and price distortions sufficient to harm the economy even further. In the past, some observers have estimated that the illicit grain and raw jute trade amounts to several hundred thousand tons a year. Recent contraband seizures do not support so high an estimate, but they may be misleading. The seizures could have been affected by selectively lax enforcement, a temporary reduction in shipments, or seasonal patterns in the trade.

The government has increased its efforts to purchase rice from the current harvest. The procurement price is higher than in the past, but the farmers would benefit more from a free market.

For the first time, farmers throughout the country--not just those in border areas--are required to sell at least half of their "surplus" paddy production to the government. To facilitate government procurement, severe restrictions have been placed on trade and transport of grain as well as on the stocks that may legally be held by rural households and by wholesale and retail traders.

As of mid-January, Bangladesh officials expected to procure about 120,000-140,000 tons of rice--twice as much as last year, but less than a tenth of the

(Continued)

Feb 20, 1975

25X1

9

farmers' marketable surplus. The government had hoped that increased domestic procurement could replace a substantial part of the two million tons of grain imports needed to supply the subsidized urban ration system, but this will not now be possible.

Farmers and local officials have a persuasive reason for underreporting agricultural production now that farm "surpluses" must be sold to the government. As a result, the data base for estimating foreign aid requirements will become even more unreliable.

25X1

25X1

25X1

Feb 20, 1975

10